



environmental consultants, inc.

www.jbr-env.com

8160 South Highland Drive • Sandy, Utah 84093 [P] 801.943.4144 [F] 801.942.1852

July 20, 2006

Ms. Mary Ann Wright  
Associate Director  
Utah Division of Oil Gas and Mining  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

Re: North Lily Reclamation Bond Release to JBR Environmental, Inc.

Dear Ms. Wright:

Enclosed please find two signed originals of the Agreement Between Utah Division of Oil, Gas and Mining and JBR Environmental Consultants for the Release of Remaining North Lily Mine Forfeited Reclamation Bond. Please have John Baza sign both originals and return one to me. I also ask that you/John send a letter to Ms. Ann Norman, Manager of Wells Fargo's Payson Branch, requesting that the CD be closed and the funds be remitted to JBR. I included a copy of the last bond release letter that the Division sent to Wells Fargo with my email message yesterday for your reference. Ms. Norman's contact information follows:

Ms. Ann Norman  
Branch Manager  
Wells Fargo Bank  
95 N Main Street  
Payson, UT 84651  
(801) 465-1338

Ms. Norman is the manager that dealt with the previous partial bond releases for North Lily. I spoke with her this afternoon and she will be expecting your letter and the release agreement.

Please copy me on the letter and also let me know if you have any questions regarding the foregoing.

Sincerely,

Robert J. Bayer  
Managing Principal

Cc: Susan Kolan, JBR

0002

RECEIVED  
JUL 26 2006  
DIV. OF OIL, GAS & MINING



## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

July 26, 2006

Ann Norman  
Branch Manager  
Wells Fargo Bank  
95 North Main  
Payson, Utah 84651

Subject: Authorization for Full Release of Reclamation Surety, Certificate of Deposit (CD),  
North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Ms. Norman:

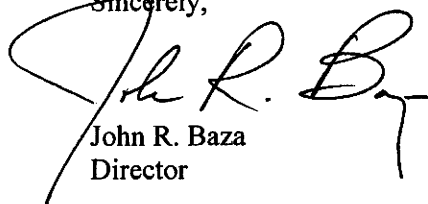
Wells Fargo is presently holding a Certificate of Deposit #0485711979 for the benefit of the State of Utah, Division of Oil, Gas and Mining as a form of reclamation surety for North Lily Mining Company's Tintic Mine Project. At Mr. Robert Bayer's request and after site inspections to verify that reclamation work has been completed, this letter authorizes release of the full amount of the Certificate of Deposit of \$23,200 dollars, plus any interest accrued. The full payment should be directed to:

Robert J. Bayer  
JBR Environmental Consultants, Inc.  
8160 South Highland Drive  
Sandy Utah 84093-6493

When this transaction has been accomplished, please furnish us with written confirmation that all funds have been released and that the balance of funds is zero.

If you have any questions or concerns, please contact Mary Ann Wright at (801) 538-5306, or Susan White at (801) 538-5258. Again, thank you for your help in this matter.

Sincerely,



John R. Baza  
Director

vs

Attachment: JBR release agreement

cc: Bob Bayer, JBR Environmental Consultants, Inc.  
Mary Ann Wright, OGM  
Susan White, OGM

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**Agreement Between  
Utah Division of Oil, Gas and Mining and JBR Environmental Consultants  
For the  
Release of Remaining North Lily Mine Forfeited Reclamation Bond**

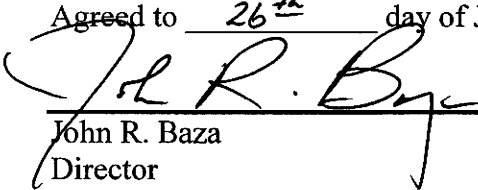
**Statement of Facts:**

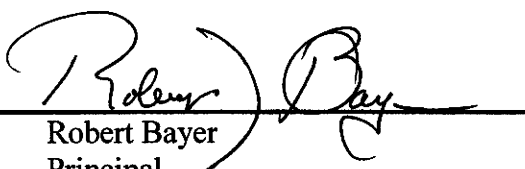
1. Wells Fargo Bank in Payson, UT is currently holding a Certificate of Deposit #0485711979, in the amount of \$ 23,200, plus accrued interest, for the benefit of the State of Utah, Division of Oil, Gas and Mining, as a form of reclamation surety bond for North Lily Mining Co.'s (NLMC) Tintic Project, M/023/007 in Juab County, UT.
2. By order of the United States Bankruptcy Court for the state of Colorado, dated January 25, 2002, (Exhibit A), an Assignment Agreement (Exhibit B) between JBR Environmental Consultants, Inc. (JBR) and NMLC) was authorized. This Agreement assigned and transferred to JBR the rights, interest and entitlement of NLMC in and to the proceeds of the above-noted CD in exchange for JBR undertaking continued ongoing "performance and completion NLMC's currently anticipated required reclamation revegetation, shutdown, and monitoring for 5 years" at the Tintic Project.

**Terms of Bond Release**

1. The State of Utah, Division of Oil, Gas and Mining (OGM), pursuant to the above-noted Agreement and the mining and environmental requirements of the State of Utah, make this release of the above noted reclamation bond.
2. This release is made in consideration of the satisfactory performance and completion of the reclamation, revegetation, and monitoring requirements of said Agreement and the obligations assumed by JBR and is irrevocable and not subject to withdrawal.
3. OGM hereby extinguishes, discharges, releases, waives, and abandons all claims against JBR from any and all further reclamation and monitoring responsibilities at the Tintic Project and authorizes the release of the above Certificate of Deposit in accordance with the Assignment Agreement.

Agreed to 26<sup>th</sup> day of July 2006.

  
John R. Baza  
Director  
Oil, Gas and Mining

  
Robert Bayer  
Principal  
JBR Environmental Consultants

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Utah Division of Oil, Gas and Mining and JBR Environmental Consultants  
For the  
Release of Remaining North Lily Mine Forfeited Reclamation Bond**

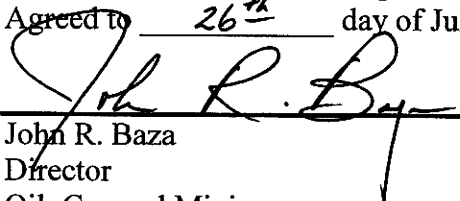
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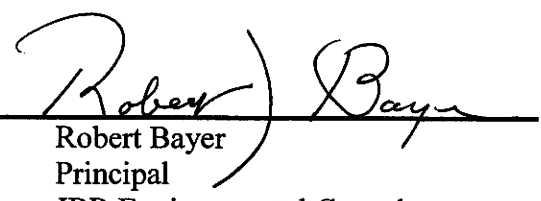
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Agreed to 26<sup>th</sup> day of July 2006.

  
John R. Baza  
Director  
Oil, Gas and Mining

  
Robert Bayer  
Principal  
JBR Environmental Consultants

FILED  
BRADFORD L. BOLTON, CLERK  
JAN 23 2002  
U.S. BANKRUPTCY COURT  
DISTRICT OF COLORADO

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JDK ENVIRONMENTAL CO  
KUTNER MILLER KEARNS  
PAGE 01/10  
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In the absence of a timely and substantiated objection and request for hearing by an interested party, the Court may approve or grant the aforementioned application without any further notice to creditors or other interested parties.

Dated: November 21, 2001

Respectfully submitted,

By:

  
Lee M. Kutner, #10966

KUTNER MILLER KEARNS, P.C.  
303 E. 17th Avenue  
Suite 500  
Denver, CO 80203  
Telephone: (303) 832-2400  
Facsimile: (303) 832-1510  
email: [lmk@kutnerlaw.com](mailto:lmk@kutnerlaw.com)

FILED  
BRADFORD L. BOLTON,  
CLERK

UNITED STATES BANKRUPTCY COURT  
01 NOV 21 PM 4:57

FOR THE DISTRICT OF COLORADO  
U.S. BANKRUPTCY COURT  
DISTRICT OF COLORADO

IN RE:

NORTH LILY MINING COMPANY, INC.,  
a Utah corporation,  
EIN: 87-0159350

Debtor.

)  
)  
) Bankruptcy No. 01-23068-EEB

)  
) Chapter 11

)  
) M.C. No. KMK-4

\_\_\_\_\_  
IN RE:

XERES TINTIC, LLC,

EIN: 84-1528808

Debtor.

)  
) Bankruptcy No. 01-23069-DEC

)  
) Chapter 11

)  
) Jointly Administered Under  
) Case No. 01-23068-EEB

**MOTION FOR ORDER UNDER 11 U.S.C. § 365 AND FED. R. BANK. P. 6006  
AUTHORIZING DEBTOR TO ASSUME EXECUTORY CONTRACT WITH JBR  
ENVIRONMENTAL CONSULTANTS, INC.**

The Debtor ("North Lily"), by and through its attorneys, Kutner Miller Kearns, P.C., moves the Court for an order under 11 U.S.C. §365 and Fed. R. Bankr. P., Rule 6006 authorizing the Debtor to assume an executory contract with JBR Environmental Consultants, Inc. ("JBR"). In support of this Motion, the Debtor respectfully represents as follows:

1. The Debtor filed for relief under Chapter 11 of the Bankruptcy Code on September 6, 2001 and the Debtor remains a Debtor-in-Possession.
2. The Debtors' cases are being jointly administered pursuant to Order of this Court.
3. The Debtors primary asset consists of approximately 7,490 acres of real property in the State of Utah. The real property is held by deeded fee interest and through numerous patented mining claims (collectively "Property").

4. The Property is relatively undeveloped ground approximately 50 miles southwest of Provo, Utah. Portions of the Property have access problems and some of the Property is in mountainous terrain.

5. The Debtor has sold miscellaneous parcels of property over time to generate revenue for business operations and pay debt. However, the Debtor has not previously put into place an overall strategy for the marketing and sale of parcels of Property with rural land experienced professionals as is the current Plan.

6. In order to help realize the greatest possible recovery for the Property, the Debtor must also complete reclamation of the small heap leach tailings reprocessing facility located near Silver City, Utah ("Project") on a portion of the Property. In addition, the Debtor is required to comply with Federal, State and local environmental protection laws while the Debtor is a Debtor-in-Possession.

7. Completion of the Project reclamation is important to enable North Lily to be in compliance with State of Utah environmental laws and regulations. That compliance will also enhance the value of the overall property to potential purchasers.

8. The reclamation completion process involves the revegetation of land by November, 2001 and continued monitoring for five years. The reclamation work is necessarily time sensitive. Such work must be completed before the winter season begins and the ground freezes. If the ground freezes before completion of the revegetation work, the work will be delayed until the ground thaws in Spring, 2002. The delay caused by such an eventuality would be nearly six months and could cause significant economic harm to the Debtor.

9. Under a State of Utah Stipulation and Consent Order dated July 26, 2000, (as amended) Docket No. 2000-004/Cause No. M/023/007, State of Utah, North Lily is required to complete the revegetation work at the Project no later than this month. Additionally, North Lily is required to perform five years of weekly environmental monitoring at the Project.

10. Failure to perform the revegetation work exposes North Lily to forfeiture of a \$32,500 bond posted by North Lily and held by the Utah State Division of Oil, Gas and Mining and also exposes North Lily to substantial fines to both the Utah State Departments of Oil, Gas and Mining and Water Quality.



11. North Lily retained JBR Environmental Consultants, Inc. ("JBR") approximately two years ago to begin the reclamation work required at the Project. To date, North Lily has expended approximately \$400,000 on the shutdown of the Project and the reclamation work. The revegetation and monitoring work is the very last, and least expensive, part of the reclamation work.

12. On June 22, 2001, North Lily entered into an agreement ("Agreement") with JBR. The Agreement was supplemented on November 7, 2001. A copy of the Agreement is attached as Exhibit A.

13. The Agreement provides for JBR to continue and complete North Lily's necessary shut down, reclamation and monitoring work for the Project. This ongoing work will take up to five years. In exchange, North Lily agreed to immediately pay \$85,000 to JBR from funds which then were being released from the Project's reclamation bond toward a then existing balance due JBR of \$143,574.69 (the balance subsequently increased to \$151,944 as of June 30, 2001 for work performed in the interim). North Lily further agreed to execute and provide JBR with a promissory note which obligated North Lily to pay the June 30 balance of \$66,944.00 by December 31, 2001 at 8% interest. The promissory note reflecting said obligation is attached as Exhibit B. Further, North Lily executed a Deed of Trust to secure the promissory note with 800 acres of patented mining claims known as the Paymaster. The Deed of Trust is attached as Exhibit C.

14. North Lily also agreed to assign to JBR the proceeds from North Lily's remaining reclamation bond in the amount of \$32,500. Attached as Exhibit D is the assignment as executed (subject to the approval of the Bankruptcy Court) on November 6, 2001. JBR will look to the bond solely to pay the remaining costs and expenses for its work.

15. The Promissory Note of \$66,944 is secured by the Deed of Trust recorded August 24, 2001 against the Paymaster patented mining claims. JBR required the Note, Deed of Trust and \$85,000 in released bond payments in order for JBR to continue providing services. JBR has continued to provide service since the payment was made and Note was secured.

16. North Lily has recently received a U.S. Environmental Protection Agency request for information pursuant to CERCLA, Section 104 with respect to the Project and historic activity in the District. In order to adequately respond to the EPA request, North Lily will require additional services from JBR. The parties have entered into a further Supplement to the Agreement under which JBR has agreed to provide the needed services. The currently estimated cost and retainer for

THIS ASSIGNMENT AGREEMENT IS ENTERED INTO BY NORTH LILY MINING COMPANY (NLMC) AND JBR ENVIRONMENTAL CONSULTANTS, INC (JBR), EFFECTIVE NOVEMBER 6, 2001, IN PERFORMANCE OF THE SERVICES AGREEMENT OF JUNE 22, 2001 BETWEEN THE PARTIES (THE AGREEMENT).

WHEREAS, WELLS FARGO BANK (FORMERLY FIRST SECURITY BANK) IN PAYSON, UTAH (THE BANK) IS PRESENTLY HOLDING CERTIFICATE OF DEPOSIT # 0485711979 (THE CD) FOR THE BENEFIT OF THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING (DOGM) AS A FORM OF RECLAMATION SURETY BOND FOR NLMC'S TINTIC PROJECT M/023/007 (NEAR SILVER CITY) IN JUAB COUNTY, UTAH (THE PROJECT); AND WHEREAS THE CD WAS REDUCED IN JUNE 2001 BY DOGM'S PARTIAL RELEASE OF FUNDS FOR RECLAMATION WORK PERFORMED TO NOT LESS THAN \$32,500;

WHEREAS, PURSUANT TO THE AGREEMENT, JBR HAS ADVANCED SERVICES AND FUNDING AND IS CONTINUING TO PROVIDE CRITICAL COMPLIANCE SERVICES IN RELATION TO THE PROJECT, IN EXCHANGE FOR A CASH PAYMENT MADE FROM THE JUNE 2001 CD RELEASE, A PROMISSORY NOTE SECURED BY A LIEN FOR \$66,944 RECORDED ON NLMC LAND, AN UNPAID AND UNSECURED CLAIM FOR \$11,715 TO BE ASSERTED IN NLMC'S CHAPTER 11 BANKRUPTCY NO. 01-23063-EEB, AND IN CONSIDERATION OF THIS ASSIGNMENT;

NOW, THEREFORE, NLMC DOES HEREBY ASSIGN AND TRANSFER TO JBR THE RIGHTS, INTEREST AND ENTITLEMENT OF NLMC IN AND TO THE PROCEEDS OF THE CD, IN EXCHANGE FOR JBR'S UNDERTAKING TO CONTINUE ONGOING PERFORMANCE AND COMPLETION OF NLMC'S CURRENTLY ANTICIPATED REQUIRED RECLAMATION REVEGETATION, SHUTDOWN AND MONITORING FOR 5 YEARS (INCLUDING MONITORING REQUIREMENTS UNDER AMENDED GROUND WATER DISCHARGE PERMIT UGW230001) FOR THE PROJECT (THE WORK). NLMC DOES HEREBY WARRANT AND AGREE THAT IT HAS NOT AND WILL NOT OTHERWISE ENCUMBER THE RIGHTS TO THE HEREIN ASSIGNED PROCEEDS OF THE CD.

NOTWITHSTANDING THE ABOVE, IT IS UNDERSTOOD AND AGREED THAT IN THE EVENT THAT PROJECT SITE CONDITIONS OR EVENTS RESULT IN ADDITIONAL CLOSURE OR RECLAMATION ACTIVITIES NOT CURRENTLY CONTEMPLATED OR DESCRIBED IN THE RECLAMATION BOND ESTIMATES OR IN THE GROUND WATER DISCHARGE PERMIT MONITORING REQUIREMENTS, THEN SUCH ADDITIONAL WORK SHALL NOT BE PART OF JBR'S UNDERTAKING HEREUNDER. IF IN THE EVENT OF SUCH ADDITIONAL WORK BEING REQUIRED, DOGM DETERMINES TO DEFER ANTICIPATED BOND (CD) RELEASES, THEN JBR SHALL BE ENTITLED TO GIVE NOTICE TO NLMC THAT JBR ELECTS TO SUSPEND PERFORMANCE HEREUNDER AND TO SEEK RELEASE OF FUNDS FROM THE CD (OR AT NLMC'S OPTION, FROM NLMC) FOR UNREIMBURSED WORK AS OF THAT DATE (BASED UPON THE

EXHIBIT 2

CD'S ANNUAL COST ALLOCATION). IN THE EVENT OF SUCH SUSPENSION BY JBR, IT WOULD BE DEEMED TO HAVE REASSIGNED (AND UPON NLMC'S REQUEST, JBR FORMALLY WOULD REASSIGN) THE BALANCE OF UNEARNED CD PROCEEDS TO NLMC. IN ANY OF THE ABOVE EVENTS IN THIS PARAGRAPH, JBR WOULD COOPERATE IN GOOD FAITH UPON NLMC'S REQUEST TO RESUME THE INTENDED WORKING ARRANGEMENTS AS SOON AS THE ADDITIONAL ACTIVITIES AND DELAY IN CD RELEASES WERE REASONABLY RESOLVED.

ATTACHED HERETO ARE NLMC'S LETTERS TO THE BANK AND DOGM INSTRUCTING THEM TO RELEASE THE CD FUNDS TO JBR AS SOON AS POSSIBLE UPON COMPLETION OF PROJECT WORK. NLMC WILL MAKE, EXECUTE, AND DELIVER TO JBR WHATEVER ADDITIONAL DOCUMENTS JBR MAY REASONABLY REQUEST TO CONFIRM OR EFFECTUATE THE BENEFIT TO JBR OF THIS ASSIGNMENT. NLMC WILL EXPEDITIOUSLY SEEK (AND UPON RECEIPT IMMEDIATELY PROVIDE) THE REQUISITE APPROVALS HEREOF AND OF THE AGREEMENT FROM THE U.S. BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO IN NLMC'S CHAPTER 11 BANKRUPTCY NO. 01-23068-EEB.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE EXECUTED THIS ASSIGNMENT AGREEMENT EFFECTIVE NOVEMBER 6, 2001, WHICH AGREEMENT SHALL BE BINDING UPON EACH PARTY'S SUCCESSORS AND ASSIGNS.

NORTH LILY MINING COMPANY

BY 

S. E. FLECHNER, PRESIDENT

  
W. GENE WEBB, EXEC. VICE PRES.

ACCEPTED AND AGREED BY JBR  
ENVIRONMENTAL CONSULTANTS INC

BY: 

ROBERT J. BAYER, VICE PRES.



environmental consultants, inc.

Copy to Steve  
12/23/04  
return to NA  
12/15/04  
www.jbr-env.com

8160 South Highland Drive • Sandy, Utah 84093 [P] 801.943.4144 [F] 801.942.1852

December 13, 2004

Ms. Mary Ann Wright  
Acting Director, Mining

RECEIVED  
DEC 14 2004

Mr. Darron Haddock  
Permit Supervisor

DIV. OF OIL, GAS & MINING

Utah Division of Oil Gas and Mining  
1594 West north Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

RE: Request for Release of Remaining Reclamation Bond, North Lily Mining Company,  
Silver City, Utah Facility

Dear Ms. Wright and Mr. Haddock:

It has been three years since final reclamation, which consisted of revegetation-related work, has been completed at North Lily Mining Company's Silver City Heap Leach Facility. The remaining bond amount held by the Division of Oil Gas and Mining is \$23,200 plus accrued interest. This amount was determined by the Division as the surety amount necessary to be retained by the Division for the November 2001 revegetation work. The previously held surety was released in three parts, the last following completion of the reclamation work in 2001.

As the Division is aware, North Lily went into and then arose from Chapter 11 bankruptcy. JBR continued to work with the Division and North Lily prior to, during and following the bankruptcy filing. Although North Lily lacked cash from which to pay JBR, North Lily agreed to authorize the release of the remaining bond to JBR as partial payment for the outstanding amount owed by North Lily. The bankruptcy court authorized the 'assignment' of the bond release to JBR. The Division was notified of these decisions and accepted this decision.

We believe that both the spirit and intent of the reclamation efforts at Silver City have been met. The former eyesore has been eliminated, all hazardous materials have been removed, leach solutions were eliminated through evaporation, emptied solution ponds were backfilled, the 20-acre heap leach was regraded, the mill and pond area was regraded to a natural-looking appearance, an expensive and highly effective subsurface infiltration gallery that receives solution draindown from the reclaimed leach pad was designed and installed, soils in the plant

MS. MARY ANN WRIGHT, MR. WAYNE HEDBURG

12/14/04

PAGE 2

and pond area and the heap material itself were amended with composted cow manure and reseeded, and the site was fenced.

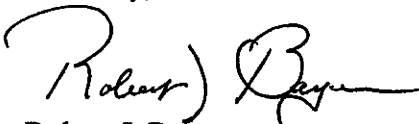
Revegetation at the site has been successful in substantial part. The lower west slope of the heap is poorly revegetated because of the high soil salinity as evidenced by the salt staining that appears at the surface in this area. Although topsoil had been stockpiled at the site for use during reclamation, the Division, concerned that this soil would serve as a seed source for spotted knapweed (which had moved into the area following range fires in recently preceding years) elected not to have the topsoil reapplied. Instead the topsoil stockpile was graded as necessary to blend with the regraded terrain and reseeded.

Since the infiltration gallery was completed, JBR has been monitoring not only vegetation success, but also the rate of discharge of draindown water from the reclaimed heap and the water quality of that discharge. Our monitoring reports to the Division of Water Quality, of which the Division has also received copies, indicate that water quality has steadily improved and the discharge flow rates are within the capacity of the infiltration gallery.

JBR committed to both North Lily and the Division to see this project through to the end. We believe the project has now reached that point. During the course of the project, JBR has incurred unreimbursed costs that, with interest, approach \$100,000. Most of these costs were for subcontractors who provided composted manure, did the regrading, and installed the infiltration gallery. The outstanding reclamation bond is part of the compensation that JBR, North Lily, the bankruptcy court, and the Division have all agreed would be remitted to us following completion of satisfactory revegetation. Accordingly, we respectfully request that the remaining reclamation surety for the North Lily Silver City site, \$23,200 plus accrued interest, be released and remitted to JBR. In accordance with instructions previously provided by North Lily, please make the reclamation bond release check payable to JBR Environmental Consultants, Inc. and mail it to JBR's Sandy, Utah office at the letterhead address. ✓

Your prompt attention to this request would be very much appreciated.

Sincerely,



Robert J. Bayer  
Managing Principal